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## NEWS RELEASE

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### **PSC ACCEPTS SETTLEMENT IN KENTUCKY POWER RATE CASE** *Utility, attorney general agree on 14.7 % increase in residential base rates*

FRANKFORT, Ky. (March 14, 2006) – The Kentucky Public Service Commission (PSC) today accepted a settlement that will raise base rates for Kentucky Power Co. (American Electric Power) residential customers by about \$11 per month, or 14.7 percent from the current average of \$75.11.

The settlement was the result of negotiations between the utility and the Kentucky Attorney General, the Kentucky Industrial Utility Customers, the Kentucky Telecommunications Association and the Kentucky Association for Community Action, which represents low-income consumers.

Kentucky Power serves about 175,000 customers in 20 counties in eastern Kentucky.

Kentucky Power, which is a subsidiary of American Electric Power Co. (AEP), originally had sought to increase its annual revenues by nearly \$65 million, with the average residential bill increasing by \$20.50, or 27 percent. The agreement increases annual revenue by \$41 million, an overall increase of 12.13 percent.

Included in the settlement is a monthly charge of 10 cents per residential customer that will be used to fund a program to assist low-income ratepayers. The program is expected to raise \$174,000 annually, which Kentucky Power has pledged to match for at least two years.

In its order accepting the settlement, the PSC praised Kentucky Power for the corporate contribution, which will come from AEP's shareholders.

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“The common perception is that these charges are forced charitable contributions and they generate sincere objections from many ratepayers,” the PSC said. “While eliminating every objection may not be possible, the majority of ratepayers will certainly have a higher degree of support and acceptance” of the programs if the company has invested in them.

Noting that it does not have the authority to order Kentucky Power to extend its corporate match beyond two years, the PSC encouraged the utility to do so.

Administrative details of the assistance program have not been determined and will have to be approved by the PSC before funds may be distributed.

The settlement also provides for the inclusion of about \$28 million in annual environmental costs in Kentucky Power’s revenue base. The costs, which reflect environmental compliance costs at Kentucky Power’s facilities as well as a share of environmental improvements throughout the AEP Midwest system, had been recovered through a surcharge. They will now be reflected in base rates.

The PSC noted that the settlement agreement does not address the question of how much Kentucky Power will spend on managing vegetation in its rights of way. Vegetation issues, such as trees falling into power lines, are the single largest cause of outages in the Kentucky Power system.

When it applied for the rate increase, Kentucky Power had proposed to increase spending significantly on managing vegetation in its power line corridors. During a hearing on the settlement, the company said that the lower revenue included in the settlement will prevent implementation of the more aggressive program of vegetation management it had proposed.

“The Commission reminds Kentucky Power it has an obligation to provide adequate, efficient, and reasonable service to all its ratepayers,” the PSC said. “The Commission expects Kentucky Power to utilize its available resources in the most efficient manner in order to have an effective vegetation management program.”

Today’s order, as well as other case documents and videos of hearings in the case, can be found on the PSC Web site, which is [psc.ky.gov](http://psc.ky.gov). The case number is 2005-00341.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.